

Message Text

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ORIGIN EB-07

INFO OCT-01 NEA-10 ISO-00 AGRE-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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DRAFTED BY EB/IFD/OSB:RMBUCK:CEK

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EB/IFD/OSB:ADBRAMANTE

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P 232104Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI PRIORITY

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E.O11652: N/A

TAGS: USINJC, ETRD, EINV, US, IN

SUBJECT: U.S.-INDIA ECONOMIC AND COMMERCIAL SUBCOMMISSION;
DIXIT - PREEG MEETING SEPT. 17

REF: STATE 219641

1. DEPT. CALLED IN INDIAN EMBASSY COMMERCIAL MINISTER
DIXIT TO RESPOND TO INDIAN NOTE OF SEPT. 3 TRANSMITTED REF-
TEL AND DISCUSS INDIA'S EXPRESSED CONCERN OVER ACTIVITIES
IN ECONOMIC AND COMMERCIAL SUBCOMMISSION. OCCASION ALSO
PROVIDED OPPORTUNITY FOR FIRST MEETING BETWEEN DIXIT AND
ERNEST H. PREEG, NEWLY APPOINTED DEPUTY ASSISTANT SECRETARY
FOR INTERNATIONAL FINANCE AND DEVELOPMENT IN EB. IN

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RESPONSE TO INDIAN NOTE PREEG PROVIDED DIXIT WITH AIDE

MEMOIRE WHICH WE ARE TRANSMITTING BY SEPTTEL. EMBASSY SHOULD TAKE APPROPRIATE OCCASION TO TALK TO CONCERNED INDIAN OFFICIALS ALONG SAME LINES AS THIS CABLE AND DEPT.'S AIDE MEMOIRE, AND MAY, AT ITS DISCRETION, PASS ON TO THEM A COPY OF AID MEMOIRE.

2. DIXIT BRIEFLY RECOUNTED ORIGINS OF INDIAN NOTE, SAYING THAT AT MID-AUGUST MEETING BETWEEN DR. KISSINGER AND AMB. KAUL, AMB. HAD TOLD SECRETARY THAT SINCE JOINT COMMISSION HAD BEEN ESTABLISHED, CONTACTS AT POLICY LEVEL HAD BEEN GOOD, BUT SOME COMMISSION ITEMS HAD NOT BEEN TRANSLATED INTO ACTION. THE SECRETARY HAD ASKED FOR THE AMBASSADOR'S CONCERNS TO BE PUT INTO WRITING. DIXIT SAID HE WANTED TO ASSURE US THAT INDIA WAS NOT QUESTIONING VALUE OF THE SUB-COMMISSION AND THAT INDIA'S MOTIVATION WAS ONLY TO PROVOKE EVEN MORE ACTIVITY.

3. PREEG NOTED THAT STATEMENT IN EMBASSY'S NOTE ABOUT "LESS THAN TANGIBLE IMPACT ON BILATERAL TRADE AND ECONOMIC COOPERATION" WAS STRONG AND DIRECT STATEMENT ABOUT WORK OF THE SUBCOMMISSION. HE SAID THAT IF THIS WAS INDIA'S REAL VIEW WE WERE SURPRISED EMBASSY HAD NOT RAISED THIS BEFORE THROUGH FORMAL CONTACTS. HE MADE POINT THAT U.S. DOES NOT AGREE THERE HAS NOT BEEN PROGRESS, ALTHOUGH SOME OF THE ISSUES RAISED IN INDIAN NOTE ARE NOT EASILY SOLVED THROUGH SUBCOMMISSION; TEXTILES, MTN, AND GSP ARE PRIMARILY DEALT WITH ELSEWHERE, AND ISSUE OF IVORY IMPORTS HAD NOT BEEN RAISED PREVIOUSLY IN SUBCOMMISSION CONTEXT. THE U.S. NEVERTHELESS BELIEVES SUBCOMMISSION CAN MAKE IMPORTANT CONTRIBUTION TOWARD SOLVING PRACTICAL PROBLEMS. PREEG SAID IT WAS BEST NOT RPT NOT TO HANDLE THESE MATTERS BY EXCHANGING FORMAL DIPLOMATIC NOTES BUT WE SHOULD DISCUSS SUBCOMMISSION MATTERS THROUGH PREVIOUSLY ESTABLISHED FOCAL POINTS AND IN INFORMAL CONSULTATION BETWEEN INDIAN EMBASSY AND DEPT.

4. DIXIT SAID THAT, ALTHOUGH A NOTE MAY NOT HAVE BEEN ABSOLUTELY NECESSARY, AMB. WANTED TO RESPOND TO THE SECRETARY IN WRITING. ALSO, WHEN EMBASSY COMMUNICATED IN AN OFFICIAL NOTE IT HAD GREATER IMPACT. REGARDING PHRASE "LESS THAN TANGIBLE IMPACT", HE RECOGNIZED THAT INDIAN LIMITED OFFICIAL USE

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EXPORTS TO U.S. HAD INCREASED IN 1976 BUT SITUATION WAS LESS ENCOURAGING WHEN COMMODITY STRUCTURE OF THIS TRADE WAS ANALYZED. TRADITIONAL EXPORTS ACCOUNTED FOR MUCH OF THE RECENT TRADE INCREASE RATHER THAN HOPED FOR INCREASE IN NON-TRADITIONAL EXPORTS. HE RECOGNIZED THAT THE TWO GOVERNMENTS CANNOT SIMPLY ORDER MORE TRADE AND INVESTMENT TO TAKE PLACE BUT BELIEVED THAT SUBCOMMISSION COULD PLAY CATALYTIC ROLE BY PUBLICIZING NEW TRADE OPPORTUNITIES AND

NEW INDIAN CAPABILITIES. HE DID NOT BLAME STATE DEPT. OR HIGH LEVELS AT COMMERCE, BUT ALLEGED THAT TECHNICAL LEVEL PEOPLE AND CUSTOMS OFFICIALS HAD OFTEN IMPEDED THE IMPORT OF CERTAIN ITEMS FROM INDIA, SUCH AS HANDICRAFTS, AT THE VERY TIME WHEN THEY WERE BEGINNING TO BE OF SIGNIFICANCE IN INDIAN EXPORTS TO U.S.

5. PREEG REPLIED THAT WE NEED TO ENCOURAGE PROCESS OF CONSULTATION, EVEN THOUGH ALL ISSUES CANNOT BE RESOLVED IMMEDIATELY. HE NOTED THAT TEXTILE ISSUE WAS RAISED IN THE SUBCOMMISSION, FOCUSING ATTENTION ON INDIA'S DESIRE FOR INCREASED QUOTAS, AND THAT ISSUE WAS DEALT WITH SUBSEQUENTLY IN BILATERAL TEXTILE NEGOTIATIONS.

6. DIXIT RECOUNTED BACKGROUND OF TEXTILES ISSUE, ESPECIALLY DISPUTE OVER DEFINITION OF HANDLOOM MATERIALS. HE SAID INDIA UNDERSTANDS THAT U.S. MIGHT NOT BE ABLE TO GRANT HIGHER QUOTAS BUT OBJECTED TO IMPOSITION OF FORMAL QUOTA ON HANDLOOMS, BECAUSE THIS MIGHT LEAD TO OTHER NATIONS DEMANDING SIMILAR QUOTAS.

7. DIXIT SAID GOI HAD PROVIDED INFORMATION ON INVESTMENT OPPORTUNITIES AND REGULATIONS TO JOINT BUSINESS COUNCIL BUT U.S. BUSINESSMEN STILL SEEMED RELUCTANT TO INCREASE INVESTMENTS IN INDIA. HE HAD ASKED U.S. CHAMBER TO ARRANGE VISITS OF U.S. BUSINESSMEN TO INDIA. HE NOTED THAT DEPUTY SECRETARY ROBINSON RECENTLY HAD ENCOURAGED U.S. SECTION OF THE COUNCIL TO SEND A 12 MAN TEAM TO INDIA. DIXIT SAID USG OFFICIALS COULD PROMOTE TRADE AND INVESTMENT IN INDIA WHENEVER THEY TALKED WITH U.S. BUSINESSMEN.

8. PREEG NOTED THAT PARTLY AS RESULT OF SUBCOMMISSION LIMITED OFFICIAL USE

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ATTENTION TO INDIA'S REQUEST, INDIA OBTAINED AN OVERALL INCREASE IN TEXTILE EXPORTS TO THE U.S. HE POINTED OUT THAT INDIA STILL APPEARS TO BE PUTTING ITS EFFORTS INTO EXPANDING EXPORTS WHERE IT IS ALREADY COMPETITIVE, WHILE OUR GSP OFFERS GOOD OPPORTUNITIES FOR EXPANDING EXPORTS TO THE U.S. IN NON-TRADITIONAL LINES. HE EXPRESSED CONCERN ABOUT IMPLIED CRITICISM OF U.S.-INDIA JOINT BUSINESS COUNCIL IN INDIAN NOTE SINCE WE BELIEVE THE COUNCIL HAD FORMULATED AN ACTIVE PROGRAM AND TWO SECTIONS APPEARED TO BE CONSULTING FREQUENTLY. DIXIT SAID THAT WHEN HE DRAFTED NOTE HE HAD NOT BEEN AWARE THAT COUNCIL'S JOINT EXECUTIVE COMMITTEE WAS TO MEET IN NEW DELHI ON NOV. 12. PREEG SUGGESTED THAT IT WOULD BE HELPFUL IF INDIAN EMBASSY COULD ALERT US TO PROBLEMS AS THEY ARISE AND IF APPROPRIATE, PROVIDE US WITH ANY MATERIALS WHICH WOULD HELP

DEFINE INDIAN POSITION.

9. DIXIT ALSO DISCUSSED DRUG INDUSTRY. HE SAID HE HAD BEEN INSTRUCTED BY NEW DELHI TO INFORM USG THAT GOI IS TAKING LONGER TO WORK OUT REGULATIONS CONCERNING THIS INDUSTRY BECAUSE IT WAS A VERY SENSITIVE AREA AND GOI WANTED TO TAKE INTO ACCOUNT FOREIGN GOVERNMENTS' VIEWS. PREEG REPLIED THAT WE HAD CONVEYED THIS TO THE U.S. PHARMACEUTICAL MANUFACTURERS ASSOCIATION.

10. ON ISSUE OF INDIAN EXPORTS OF IVORY TO U.S., DIXIT SAID GOI WOULD CERTIFY AFRICAN-ORIGIN IVORY IN ACCORDANCE WITH U.S. REGULATIONS.

11. PREEG RAISED ONE NEW TRADE ISSUE OF INTEREST TO U.S., THAT OF DIFFICULTY IN OBTAINING IMPORT LICENSES FOR U.S. ALMOND IMPORTS INTO INDIA. DIXIT SAID HE HAD PROVIDED MR. EASTER OF CALIFORNIA ALMOND GROWER'S EXCHANGE WITH INTRODUCTORY LETTERS TO ASSIST PRESIDENT OF THE EXCHANGE DURING HIS FORTHCOMING VISIT TO INDIA.

12. PREEG EXPRESSED APPRECIATION FOR THE USEFUL EXCHANGE AND SUGGESTED THAT NEXT SUBCOMMISSION MEETING BE EARLY NEXT YEAR, PERHAPS IN APRIL. HE EXPRESSED U.S. VIEW THAT WE SHOULD CONTINUE TO MOVE AHEAD WITH WORK OF THE SUB-

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COMMISSION AND SAID WE WOULD BE PLEASED TO RECEIVE ANY SUGGESTIONS ON HOW TO MAKE THE SUBCOMMISSION MORE EFFECTIVE.

13. PREEG AGREED WITH DIXIT'S SUGGESTION THAT INFORMAL MEETING BETWEEN INDIAN EMBASSY AND USG AGENCIES BE HELD IN WASHINGTON THIS FALL TO DEVELOP MORE SPECIFIC THINKING ON THE AGENDA FOR NEXT SPRING'S MEETING OF THE SUBCOMMISSION AND REVIEW STATUS OF SUBCOMMISSION ACTIVITIES. ROBINSON

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